

CITY OF FORT PIERRE

AUDIT REPORT

DECEMBER 31, 2009

**CITY OF FORT PIERRE
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Commission
City of Fort Pierre
Fort Pierre, South Dakota

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fort Pierre, South Dakota, as December 31, 2009, and for the year then ended, which collectively comprise the City of Fort Pierre's basic financial statements and have issued my report thereon dated August 9, 2010, which was modified due to a scope limitation regarding the aggregate discretely presented component unit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

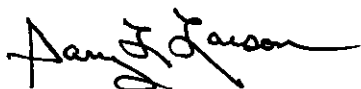
I consider the deficiency described in the Schedule of Current Audit Findings as item number 2009-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City of Fort Pierre's response to the findings identified in my audit is described in the accompanying schedule of current audit findings. I did not audit the City of Fort Pierre's response, and, according, I express no opinion on it.

This report is intended solely for the information and use of the governing board and information of the management of the City of Fort Pierre the South Dakota Legislature and federal awarding agencies and pass- through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDLC 4-11-11 this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "David J. Larson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

August 9, 2010

Gary L. Larson, CPA

900 Winchester Drive
Pierre, SD 57501
(605) 940-1284

INDEPENDENT AUDITOR'S REPORT

City Commission
City of Fort Pierre
Fort Pierre, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the City of Fort Pierre, South Dakota, as of December 31, 2009, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fort Pierre's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as indicated in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

I was unable to obtain audited financial statements supporting the financial activities of the Fort Pierre Housing and Redevelopment Commission, nor was I able to satisfy myself as to those financial activities by other auditing procedures. Those financial activities are included in the component unit column and represent 100% of the assets and revenues of the component unit column.

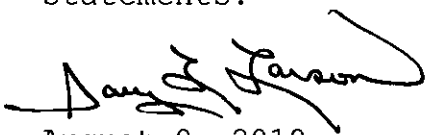
Since I was unable to obtain audited financial statements supporting the activities of the Fort Pierre Housing and Redevelopment Commission and was not able to apply other auditing procedures to satisfy myself as to the reported revenues and expenses, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the discretely presented component unit.

Further in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fort Pierre, South Dakota, at December 31, 2009, the respective changes in financial position and cash flows where applicable thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with the Government Auditing Standards, I have also issued my report dated August 9, 2010 on my consideration of the City of Fort Pierre's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and to the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of my audit.

The budgetary comparison information on pages 60 through 66 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

The City of Fort Pierre has not presented the Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.



August 9, 2010

**CITY OF FORT PIERRE
STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	PRIMARY GOVERNMENT	
	Governmental Activities	Business-type Activities
ASSETS:		
Cash and cash equivalents	\$1,409,521	\$121,743
Receivables	710,161	345,923
Inventories	29,687	905,043
Land held for resale	362,305	0
Other assets	31,086	0
Restricted assets:		
Cash and cash equivalents	95,655	397,782
Deposits	29,390	0
Capital assets:		
Land	965,794	163,577
Other capital assets, net of depreciation	6,745,467	11,670,948
TOTAL ASSETS	\$10,379,066	\$13,605,016
LIABILITIES:		
Accounts payable	\$120,883	\$187,094
Other current liabilities	1,265,624	121,202
Noncurrent liabilities:		
Due within one year	424,965	372,737
Due in more than one year	2,306,244	3,611,014
TOTAL LIABILITIES	4,117,716	4,292,047
NET ASSETS:		
Invested in capital assets, net of related debt	4,994,717	7,876,494
Restricted for:		
Cemetery	36,772	0
Debt service	95,655	397,782
Insurance	29,390	0
Unrestricted	1,104,816	1,038,693
TOTAL NET ASSETS	6,261,350	9,312,969
TOTAL LIABILITIES AND NET ASSETS	\$10,379,066	\$13,605,016

The accompanying notes to financial statements
are an integral part of this statement.

TOTAL	Component Unit
\$1,531,264	\$0
1,056,084	0
934,730	0
362,305	0
31,086	0
493,437	0
29,390	0
1,129,371	0
18,416,415	0
<u>\$23,984,082</u>	<u>\$0</u>
\$307,977	\$0
1,386,826	0
797,702	0
5,917,258	0
<u>8,409,763</u>	<u>0</u>
12,871,211	0
36,772	0
493,437	0
29,390	0
2,143,509	0
<u>15,574,319</u>	<u>0</u>
<u>\$23,984,082</u>	<u>\$0</u>

**CITY OF FORT PIERRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Functions/Programs	Expenses	PROGRAM REVENUES	
		Changes for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental Activities:			
General government	\$290,391	\$59,972	\$0
Public safety	354,877	1,773	0
Public works	873,517	57,598	0
Health and welfare	27,472	3,089	0
Culture and recreation	416,964	25,859	0
Conservation and development	153,601	6,555	0
*Interest on long-term debt	166,288	0	0
TOTAL GOVERNMENTAL ACTIVITIES	2,283,110	154,846	0
Business-type Activities:			
Water	280,804	281,391	0
Electric	2,059,288	2,263,459	0
Sanitary sewer	446,139	298,793	0
TOTAL BUSINESS-TYPE ACTIVITIES	2,786,231	2,843,643	0
TOTAL PRIMARY GOVERNMENT	\$5,069,341	\$2,998,489	\$0
Component Unit:			
Housing and Redevelopment Commission	\$16,895	\$0	\$16,895

* The City does not have interest expense related to the governmental functions. This amount includes indirect interest on general long-term debt.

GENERAL REVENUES:

Property taxes
Sales taxes
State shared revenues
Unrestricted investment earnings
Other general revenues

Total General Revenues

Change in net assets

Net Assets-beginning,

NET ASSETS-ending

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGE IN NET ASSETS

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
\$0	(\$230,419)	\$0	(\$230,419)	\$0
0	(353,104)	0	(353,104)	0
88,327	(727,592)	0	(727,592)	0
0	(24,383)	0	(24,383)	0
0	(391,105)	0	(391,105)	0
0	(147,046)	0	(147,046)	0
0	(166,288)	0	(166,288)	0
88,327	(2,039,937)	0	(2,039,937)	0
0	0	587	587	0
18,061	0	222,232	222,232	0
0	0	(147,346)	(147,346)	0
18,061	0	75,473	75,473	0
\$106,388	(\$2,039,937)	\$75,473	(\$1,964,464)	\$0
\$0	\$0	\$0	\$0	\$0
	\$723,843	\$0	\$723,843	\$0
	978,893	0	978,893	0
	34,179	0	34,179	0
	35,575	32,622	68,197	0
	158,247	0	158,247	0
	1,930,737	32,622	1,963,359	0
	(109,200)	108,095	(1,105)	0
	6,370,550	9,204,874	15,575,424	0
	\$6,261,350	\$9,312,969	\$15,574,319	\$0

CITY OF FORT PIERRE
BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General Fund	US COE Fund
ASSETS		
Cash and cash equivalents	\$128,984	\$1,253,642
Taxes receivable-		
Delinquent	24,232	0
Accounts receivable	6,149	0
Special assessments receivable-current	1,897	0
Special assessments receivable-delinquent	3,921	0
Special assessments receivable-deferred	452,620	0
Due from other governments	204,266	0
Deposits	29,390	0
Supply inventory	29,687	0
Land held for resale	362,305	0
Restricted cash	95,655	0
TOTAL ASSETS	\$1,339,106	\$1,253,642
 LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$114,161	\$6,722
Accrued wages payable	18,704	0
Deferred revenue	482,670	1,246,920
Total Liabilities	615,535	1,253,642
 FUND BALANCES:		
Reserved for:		
Debt service	95,655	0
Deposits	29,390	0
Inventory	29,687	0
Land held for resale	362,305	0
Unreserved:		
Designated for 2010	206,534	0
Special revenue	0	0
Permanent fund	0	0
Debt service	0	0
Total Fund Balance	723,571	0
TOTAL LIABILITIES AND FUND BALANCES	\$1,339,106	\$1,253,642

The accompanying notes to financial statements are an
integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$26,895	\$1,409,521
0	24,232
0	6,149
477	2,374
1,862	5,783
2,233	454,853
12,504	216,770
0	29,390
0	29,687
0	362,305
0	95,655
<u>\$43,971</u>	<u>\$2,636,719</u>

\$0	\$120,883
0	18,704
<u>4,572</u>	<u>1,734,162</u>
<u>4,572</u>	<u>1,873,749</u>

0	95,655
0	29,390
0	29,687
0	362,305
0	206,534
1,448	1,448
36,772	36,772
<u>1,179</u>	<u>1,179</u>
<u>39,399</u>	<u>762,970</u>
<u>\$43,971</u>	<u>\$2,636,719</u>

CITY OF FORT PIERRE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
ASSETS
DECEMBER 31, 2009

Total Fund Balances-Government Funds	\$762,970
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	7,711,261
Long-term liabilities, including bonds payable, capital leases payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds	(2,731,209)
Property taxes receivable and special assessments are reported in the period to be financed by the property tax levy for both the governmental funds and the statement of net assets, but in the funds statement of net assets, "available" (within a 30 day period) are offset with deferred revenue	487,242
Prepaid insurance is not recorded in the funds statement because it is on the modified accrual basis of accounting	<u>31,086</u>
Net Assets-Governmental Funds	<u><u>\$6,261,350</u></u>

The accompanying notes to financial statements are an
integral part of this statement.

CITY OF FORT PIERRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	US COE Fund
Revenues:		
Taxes-		
General property taxes	\$739,035	\$0
General sales taxes	895,365	0
Penalties and interest	3,466	0
Licenses and permits	80,155	0
Intergovernmental Revenue		
Federal grants	72,855	12,898
State shared revenues	62,327	0
County shared revenues	4,444	0
Charges for Goods or Services		
General government	59,972	0
Highways and streets	29,150	0
Sanitation	300	0
Health	3,089	0
Culture and recreation	25,859	0
Economic development	6,555	0
Fines and Forfeits		
Court fines and costs	1,137	0
Other	636	0
Miscellaneous Revenue		
Interest earned	34,607	0
Special assessments	31,200	0
Other	73,648	0
Total Revenue	<u>\$2,123,800</u>	<u>\$12,898</u>

The accompanying notes to financial statements are an
integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$5,206	\$744,241
83,528	978,893
22	3,488
0	80,155
0	85,753
0	62,327
0	4,444
0	59,972
0	29,150
0	300
0	3,089
0	25,859
0	6,555
0	1,137
0	636
968	35,575
1,600	32,800
0	73,648
<u>\$91,324</u>	<u>\$2,228,022</u>

CITY OF FORT PIERRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	US COE Fund
Expenditures:		
General Government:		
Executive	\$46,494	\$0
Elections	618	0
Financial administration	200,098	0
Other	34,916	0
Public Safety:		
Police	264,011	0
Fire	77,658	0
Other	7,458	0
Public Works:		
Highways and streets	1,030,782	0
Sanitation	28,873	6,418
Electric	0	6,480
Transit	22,000	0
Health and Welfare:		
Health	27,472	0
Culture and Recreation:		
Recreation	85,166	0
Parks	206,990	0
Libraries	8,223	0
Auditorium	7,526	0
Museum	5,740	0
Conservation and Development:		
Economic development	68,601	0
Debt Service	496,121	0
Total Expenditures	<u>\$2,618,747</u>	<u>\$12,898</u>
Net Change in Fund Balances	(494,947)	0
FUND BALANCE, JANUARY 1, 2009	<u>1,218,518</u>	<u>0</u>
FUND BALANCE, DECEMBER 31, 2009	<u><u>\$723,571</u></u>	<u><u>\$0</u></u>

The accompanying notes to financial statements are an
integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$0	\$46,494
0	618
0	200,098
0	34,916
0	264,011
0	77,658
0	7,458
0	1,030,782
0	35,291
0	6,480
0	22,000
0	27,472
0	85,166
0	206,990
0	8,223
0	7,526
0	5,740
85,000	153,601
48,709	544,830
<u>\$133,709</u>	<u>\$2,765,354</u>
(42,385)	(537,332)
<u>81,784</u>	<u>1,300,302</u>
<u><u>\$39,399</u></u>	<u><u>\$762,970</u></u>

CITY OF FORT PIERRE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net Changes in Fund Balances-Total Governmental Funds (\$537,332)

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which capital outlays
exceeded depreciation in the current period

108,227

Repayment of bond principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
statement of net assets

378,542

Property tax revenues and special assessments are reported in the period
to be financed by the property tax levy or special assessment for both the
governmental funds and the governmental activities, but in the funds
statement, any amounts that are not "available" are offset with
deferred revenue.

(54,112)

Governmental funds do not reflect the change in accrued leave,
but the statement of activities reflects the change in accrued
leave through expenditures.

323

Prepaid insurance cost is deferred in the activities statement.

(4,848)

Change in Nets Assets of Governmental Activities

(\$109,200)

The accompanying notes to financial statements are an integral part of this statement.

CITY OF FORT PIERRE
BALANCE SHEET - PROPRIETARY FUNDS
DECEMBER 31, 2009

	ENTERPRISE FUNDS		
	Water Fund	Electric Fund	Sanitary Sewer Fund
ASSETS:			
Current Assets:			
Cash	\$0	\$86,809	\$34,934
Accounts receivable	50,474	257,709	37,740
Supply inventory	120,059	774,780	10,204
Due from other funds	0	190,422	0
Total Current Assets	170,533	1,309,720	82,878
Noncurrent Assets:			
Restricted cash and cash equivalents	33,878	363,904	0
Capital Assets:			
Land	27,587	115,999	19,991
Buildings	810,296	3,802,896	0
Improvements other than buildings	2,279,778	2,949,814	6,608,757
Machinery and equipment	75,784	354,246	163,196
Accumulated depreciation	(1,529,711)	(2,091,661)	(1,752,447)
Total Noncurrent Assets	1,697,612	5,495,198	5,039,497
TOTAL ASSETS	\$1,868,145	\$6,804,918	\$5,122,375

The accompanying notes to financial statements are an
integral part of this statement.

Total

\$121,743

345,923

905,043

190,422

1,563,131

397,782

163,577

4,613,192

11,838,349

593,226

(5,373,819)

12,232,307

\$13,795,438

CITY OF FORT PIERRE
BALANCE SHEET - PROPRIETARY FUNDS
DECEMBER 31, 2009

	ENTERPRISE FUNDS		
	Water Fund	Electric Fund	Sanitary Sewer Fund
LIABILITIES			
Current Liabilities:			
Accounts payable	\$6,354	\$177,409	\$3,331
Accrued wages	3,282	11,063	3,486
Due to other funds	190,422	0	0
Deferred revenue	20,746	1,323	5,847
Customer deposits	2,750	72,705	0
Current portion of long-term debt	51,003	258,734	63,000
Total Current Liabilities	274,557	521,234	75,664
 Non-current Liabilities:			
Bonds payable:			
Revenue	101,139	2,810,559	629,123
Accrued leave payable	3,028	6,803	3,029
Other long-term debt	0	57,333	0
Total Non-current Liabilities	104,167	2,874,695	632,152
 NET ASSETS			
Invested in capital assets, net of related debt	1,514,620	2,011,470	4,350,404
Restricted net assets restricted for:			
Revenue bond debt service	33,878	363,904	0
Unrestricted net assets	(59,077)	1,033,615	64,155
Total Net Assets	1,489,421	3,408,989	4,414,559
 TOTAL LIABILITIES AND NET ASSETS	\$1,868,145	\$6,804,918	\$5,122,375

The accompanying notes to financial statements are an
integral part of this statement.

Total

\$187,094

17,831

190,422

27,916

75,455

372,737

871,455

3,540,821

12,860

57,333

3,611,014

7,876,494

397,782

1,038,693

9,312,969

\$13,795,438

CITY OF FORT PIERRE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	ENTERPRISE FUNDS		
	Water Fund	Electric Fund	Sanitary Sewer Fund
OPERATING REVENUES:			
Charges for goods and services	\$281,391	\$2,263,459	\$298,793
OPERATING EXPENSES:			
Personal services	122,415	286,396	118,045
Cost of sales	0	1,212,475	0
Other current expense	56,467	244,742	87,111
Depreciation	95,705	160,393	213,847
Total Operating Expenses	274,587	1,904,006	419,003
Operating Income (Loss)	6,804	359,453	(120,210)
Non-operating Revenue (Expense)			
Interest earned	0	32,622	0
Interest expense	(6,217)	(155,282)	(27,136)
Total Non-operating Revenue (Expense)	(6,217)	(122,660)	(27,136)
Net Income (Loss) before Contributions	587	236,793	(147,346)
Capital contributions	0	18,061	0
Change in Net Assets	587	254,854	(147,346)
NET ASSETS, BEGINNING	1,488,834	3,154,135	4,561,905
NET ASSETS, ENDING	\$1,489,421	\$3,408,989	\$4,414,559

The accompanying notes to financial statements are an
integral part of this statement.

Total

\$2,843,643

526,856

1,212,475

388,320

469,945

2,597,596

246,047

32,622

(188,635)

(156,013)

90,034

18,061

108,095

9,204,874

\$9,312,969

CITY OF FORT PIERRE
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	ENTERPRISE FUNDS		
	Water Fund	Electric Fund	Sanitary Sewer Fund
Cash Flows from Operating Activities:			
Receipts from customers	\$275,471	\$2,195,332	\$298,257
Cash receipts for interfund services	0	85,021	0
Payments to suppliers	(89,283)	(1,378,641)	(46,205)
Cash payments for interfund services	(46,886)	(46,820)	(45,856)
Payments to employees	(117,840)	(271,558)	(113,266)
Net Cash Provided (Used) by Operating Activities	21,462	583,334	92,930
CashFlows from Non-capital Financing Activities:			
Loans (to) from other funds	28,284	(28,284)	0
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	0	18,061	0
Purchase of capital assets	(3,500)	(586,321)	(13,407)
Debt principal paid	(40,029)	(234,916)	(63,805)
Debt interest paid	(6,217)	(155,282)	(27,136)
Cash Flows from Investing Activities:			
Cash received for interest	0	32,622	0
Net Increase (Decrease) in Cash and Cash Equivalents	0	(370,786)	(11,418)
Cash and Cash Equivalents Beginning of Year	33,878	821,499	46,352
Cash and Cash Equivalents End of Year	<u>\$33,878</u>	<u>\$450,713</u>	<u>\$34,934</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$6,804	\$359,453	(\$120,210)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	95,705	160,393	213,847
Changes in Assets and Liabilities:			
Receivables	(5,194)	15,784	(538)
Inventories	(76,026)	10,290	(2,670)
Accounts and other payables	(394)	32,529	1,206
Accrued leave payable	1,293	3,775	1,293
Deposits	750	1,221	0
Deferred revenue	(1,476)	(111)	2
Net Cash Provided (Used) by Operating Activities	<u>\$21,462</u>	<u>\$583,334</u>	<u>\$92,930</u>

The accompanying notes to financial statements are an
integral part of this statement.

Total

\$2,769,060
85,021
(1,514,129)
(139,562)
(502,664)
697,726

0

18,061
(603,228)
(338,750)
(188,635)

32,622

(382,204)

901,729

\$519,525

\$246,047

469,945

10,052
(68,406)
33,341
6,361
1,971
(1,585)

\$697,726

CITY OF FORT PIERRE
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$97,284</u>
Total Assets	<u><u>\$97,284</u></u>
 LIABILITIES	
Amounts held for others	<u>\$97,284</u>
 Total Liabilities	<u>97,284</u>
 NET ASSETS	<u>0</u>
 Total Liabilities and Net Assets	<u><u>\$97,284</u></u>

The accompanying notes to financial statements
are an integral part of this statement

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the City of Fort Pierre consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for with the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The Primary Government Unit is the City of Fort Pierre. The City participates in two cooperative units:

- 1.) Stanley Country Law Enforcement (with Stanley Country), see Note 16 for specific disclosure.
- 2.) Expo Building (Hughes County, Stanley County, and City of Pierre). See detailed Note 15 for specific disclosure.

The City has created a Housing and Redevelopment Commission under the authority of South Dakota Codified Law (SDCL 11-7-7). The City created this Housing and Redevelopment Commission for the purpose of providing low income housing assistance to its citizens through the "HUD" program. The City has entered into a "Joint Powers" agreement with the City of Pierre Housing and Redevelopment Commission, whereby that commission would act as an Agent to administer their HUD program.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Basis of Presentation:

Government-wide Statements:

The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. The statements distinguish between the governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1a above and may be classified as either governmental or business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the funds operations.

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entertainment Tax Fund - to account for a 3rd cent sales tax on motel rooms, restaurants and bars which may only be used for the promotion of the City, land acquisitions, civic centers and auditoriums and debt service related to these acquisitions (SDCL 10-52-8). This is not a major fund.

Second One Percent Sales Tax Fund - a fund established by ordinance to account for a portion of the City's general sales tax. Proceeds from this tax are to be used for retiring capital improvement indebtedness for both Governmental and Business Type Activity debt. This is not a major fund.

Capital Project Funds - capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations or other governments).

US COE Fund - The US COE Fund was established by the City according to the Construction, Relocation, and Alteration of Facilities Agreement with the US COE to account for the receipt and expenditure of federal grant monies obtained from the Department of Defense - U.S. Army Corps of Engineers. This is a major fund.

ST/VS Fund - This fund was established to account for the receipts and expenditures of capital contributions for two development projects: Stanley Townsite (ST) and Vintage Square (VS). This is not a major fund.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

"TIF" No. 2 Fund - to account for property taxes which may be used only for the payment of the TIF Revenue Note principal, interest and related costs. This is not a major fund.

Permanent Funds - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principle, may be used for purposes that support the City's programs - that is for the benefit of the City and its citizenry.

Cedar Hill Cemetery Perpetual Care Fund - to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the trust fund investments is used for the care and maintenance of the cemetery (SDCL 9-32-18). This is not a major fund.

PROPRIETARY FUNDS:

Enterprise Funds - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expensed incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

The City reports the following major enterprise funds:

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Enterprise Funds:

Water Fund - financed primarily by user charges this fund accounts for the construction and operation of the municipal waterworks system and related facilities (SDCL 9-47-1).

Electric Fund - to account for the construction and operation of the municipal electrical system and related facilities (SDCL 9-39-1 and 9-39-96).

Sanitary Sewer Fund - to account for the construction and operation of the municipal sewer system and related facilities (SDCL 9-48-2).

Fiduciary Funds:

Agency Funds - Agency funds are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The City's agency funds include three Special Assessment Funds and the Stanley County Law Enforcement Fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accruals basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental, business-type and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City of Fort Pierre, the length of that cycle is 60 days. The revenues which are accrued at December 31, 2009 are sales tax, real estate taxes, state shared revenues and miscellaneous other revenues.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principle and interest on general long-term debt which are recognized when due.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including employee health insurance, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund so that expenses are reported only in the function to which they relate.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources".

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements other than Buildings".

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in government-wide or fund financial statements.

Government-wide Statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its

CITY OF FORT PIERRE
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend to useful life of a capital asset are also capitalized.

The total December 31, 2009 balance of capital assets for governmental activities includes approximately twenty-five percent for which the costs were determined by estimates of the original costs. The total December 31, 2009 balance of capital assets for business-type activities includes approximately twenty-five percent for which costs were also estimates of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon or by using deflated current replacement costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Accumulated depreciation is reported on the government-wide Statement of Net Assets and on each proprietary fund's Statement of Net Assets/Balance Sheet. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ All	N/A	N/A
Improvements other than buildings	5,000	Straight-line	10-50 years
Buildings	5,000	Straight-line	20-33 years
Machinery and Equipment	5,000	Straight-line	5-25 years
Infrastructure	5,000	Straight-line	10-50 years
Utilities property and improvements	5,000	Straight-line	10-50 years

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, revenue special assessment bonds payable and capital leases and other notes payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principle and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The City pools the cash resources of its funds for cash management purpose. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash equivalents for the purpose of the Statement of Cash Flows.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisitions, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints places on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

k. Application of Net Assets:

It is the City's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1, and 7-20-1.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that banks public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load fund administered by an investment company whose only investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

None of the City's deposits were exposed to the risks above as of December 31, 2009.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices. As of December 31, 2009, the City had no investments.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investment to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

**CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS**

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

4. INVENTORY

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

The General Fund also owns certain plots of land which were acquired for industrial development and are held for resale.

Inventory acquired for supplies or resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories and land held for resale are off-set by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

5. DEFERRED REVENUE

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

6. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

7. CHANGES IN CAPITAL ASSETS

A summary of changes in fixed assets for the year ended December 31, 2009 follows:

	Balance 1/1/09	Increases	Decreases	Balance 12/31/09
Governmental Activities:				
Capital Assets				
Not being				
Depreciated:				
Land	\$ 965,794	\$ -	\$ -	\$ 965,794
Capital Assets				
Being Depreciated				
Buildings	\$ 493,640	\$ -	\$ -	\$ 493,640
Improvements				
Other than				
Buildings	7,059,889	388,298	-	7,448,187

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS (continued)

	Balance 1/1/09	Increases	Decreases	Balance 12/31/09
Machinery and Equipment	840,909	144,327	-	985,236
Totals	8,394,438	532,625	-	8,927,063
Less accumulated Depreciation for:				
Building	184,386	12,130	-	196,516
Improvements	1,308,480	357,685	-	1,666,165
Machinery and Equipment	264,332	54,583	-	318,915
Total	1,757,198	424,398	-	2,181,596
Total Capital Assets being Depreciated-Net	\$ 6,637,240	\$ 108,227	\$ -	\$ 6,745,467
Governmental Activity Capital Assets Net	\$ 7,603,034	\$ 108,227	\$ -	\$ 7,711,261

Depreciation expense was charged to functions as follows:

General Government	\$ 3,740
Public Works	5,750
Public Works	311,589
Culture and Recreation	103,319
	<u>\$ 424,398</u>

Business-type Activities:

Capital Assets
Not being
Depreciated

Land	\$ 163,577	\$ -	\$ -	\$ 163,577
Total	163,577	-	-	163,577

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS (continued)

	Balance <u>1/1/09</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/09</u>
Business-type Activities:				
Capital Assets				
Being Depreciated				
Buildings	4,613,192	-	-	4,613,192
Improvements				
Other than				
Buildings	11,269,636	568,713	-	11,838,349
Machinery and				
Equipment	<u>558,711</u>	<u>34,515</u>	<u>-</u>	<u>593,226</u>
Totals	<u>16,441,539</u>	<u>603,228</u>	<u>-</u>	<u>17,044,767</u>
Less accumulated				
Depreciation for:				
Building	\$ 1,261,032	\$ 76,403	\$ -	\$ 1,337,435
Improvements	3,264,154	364,129	-	3,628,283
Machinery and				
Equipment	<u>378,688</u>	<u>29,413</u>	<u>-</u>	<u>408,101</u>
Total	<u>4,903,874</u>	<u>469,945</u>	<u>-</u>	<u>5,373,819</u>
Total Capital				
Assets being				
Depreciated-				
Net	<u>11,537,665</u>	<u>133,283</u>	<u>-</u>	<u>11,607,948</u>
Business-type Activity				
Capital Assets				
Net	<u>\$11,701,242</u>	<u>\$ 133,283</u>	<u>\$ -</u>	<u>\$11,834,525</u>

Depreciation expense was charged to functions as follows:

Water	\$ 95,705
Electric	160,393
Sanitary Sewer	<u>213,847</u>
	<u>\$ 469,945</u>

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

8. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government Activities:					
Bonds Payable:					
Revenue	\$ 1,028,690	\$ -	\$ 145,478	\$ 883,212	\$ 180,412
Special Assess- ment	1,154,588	-	175,658	978,930	132,249
Notes Payable:					
Revenue	665,419	-	-	665,419	47,138
Financing (Capital Acquisition)					
Leases	246,389	-	57,406	188,983	57,833
Total					
Debt	3,095,086	-	378,542	2,716,544	417,632
Accrued Compensated Absences- Governmental					
Funds	14,988	7,177	7,500	14,665	7,333
Total Governmental Activities	3,110,074	7,177	386,042	2,731,209	424,965
Business-type Activities:					
Bonds Payable:					
Revenue	\$ 4,139,580	\$ -	\$ 300,197	\$ 3,839,383	\$ 320,782
Special Assessment	99,869	-	23,529	76,340	24,463
Other	38,604	-	5,409	33,195	5,519
Financing (Capital Acquisition)					
Leases	\$ 18,729	\$ -	\$ 9,616	\$ 9,113	\$ 9,113
Total					
Debt	4,296,782	-	338,751	3,958,031	359,877
Accrued Compensated Absences- Business-type					
Funds	19,358	11,962	5,600	25,720	12,860

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

8. LONG-TERM DEBT (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Total Business-type Activities	<u>4,316,140</u>	<u>11,962</u>	<u>344,351</u>	<u>3,983,751</u>	<u>372,737</u>
GRAND TOTAL	<u>\$7,426,214</u>	<u>\$ 19,139</u>	<u>\$ 730,393</u>	<u>\$ 6,714,960</u>	<u>\$ 797,702</u>

Debt payable at December 31, 2009 is comprised of the following:

GOVERNMENT ACTIVITY DEBT:

Revenue Bonds:

Sales Tax Revenue Bonds, Series 2005, matures in 12/09/10; 3.95% interest rate; payment to be financed from the General Fund	\$ 21,595
Sales Tax Revenue Bonds, Series 2006, matures in 11/20/18; 4.97% interest rate, payment to be made by the General Fund	572,767
Sales Tax Revenue Bonds, Series 2003, matures May 16, 2013, 4.07% interest rate, payment to be financed by the General Fund	<u>288,850</u>
Total Revenue Bonds	<u>883,212</u>
Series 2008(a) Special Assessment Bond, interest rate of 5.10%, final payment due August 28, 2018. This debt will be repaid by the proceeds from special assessments.	186,740
Series 2008(b) Special Assessment Bond, interest rate of 4.20%, final payment due August 26, 2018. This debt will be repaid by the proceeds from special assessments.	374,400

**CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS**

8. LONG-TERM DEBT (continued)

Series 2004 Special Assessment Bond,
Interest rate of 3.85%, final payment
due November 1, 2014. This debt will
be repaid by the proceeds from special
assessments 417,790

Total Special Assessments Debt 978,930

Revenue Note:

TIF # 2 Revenue Note, interest rate of
7.32%, maturing 12/01/19, paid by the
Tax Increment District #3 fund 665,419

Financing (Capital Acquisition) Leases:

Street Sweeper, due in annual payments of
\$20,051, including 3.5% interest, due
in 2010, payments to be made by the
General Fund 18,063

The purchase price at the commencement
of the financing (capital acquisition)
lease was:

Principal	\$109,006
Interest	<u>14,249</u>
	<u>\$123,255</u>

Asphalt Zipper, due in semi-annual payments
of \$23,711, including 4.6% interest, due
in 2013, payments to be made by the
General Fund 170,920

The purchase price at the commencement
Of the financing (capital acquisition)
Lease was:

Principal	\$209,270
Interest	<u>27,840</u>
	<u>\$237,110</u>

Total leases 188,983

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

8. LONG-TERM DEBT (continued)

Compensated Absences:

The liability for compensated absences represents leave benefits earned as of December 31, 2009. This will be paid by the General Fund

\$ 14,665

TOTAL GOVERNMENTAL ACTIVITY

\$2,731,209

BUSINESS ACTIVITY DEBT

Revenue Bonds:

Series 2004 State Revolving Fund (SRF)
Sanitary Sewer, matures 06/01/26; 3.5% interest. Debt will be repaid from the Sanitary Sewer Fund

\$ 386,218

Series 2002 State Revolving Fund (SRF)
Sanitary Sewer, maturity date April 1, 2010, 3.5% interest. Debt is repaid from the Sanitary Sewer Fund

286,421

Series 2005 Water Revenue Bonds, interest rate of 3.95%, due December 9, 2010.
Paid by the Water Fund

10,796

Electric Surcharge Revenue Bonds, Series 2002, matures December 1, 2018, 4.64% interest rate, payment to be financed from Electric Fund

2,425,000

Series 2007 Water Revenue Bond, matures August 22, 2012, interest rate of 4.67%, payments to be made by the Water Fund

78,432

Series 2007 Electric Revenue Bond, matures October 25, 2019, interest rate of 4.77%, payments to be made by the Electric Fund

352,516

Total Revenue Bonds

3,839,383

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

8. LONG-TERM DEBT (continued)

Series 2007 Special Assessment Bonds, matures September 19, 2012, interest rate of 3.93%, payments to be made 60% by the Water Fund and 40% by the Sewer Fund. (These will be partially financed by special assessments, but will also be paid from revenues of the applicable enterprise funds) 76,340

Other:

Transmission Capacity Agreement with West Central Electric Cooperative, maturity date September, 2015 2% interest rate, debt is repaid from the Electric Fund \$ 33,195

Capital Acquisition Lease:

Mini-excavator, matures 2010, 3.5% interest rate, payment to be paid from the Electric Fund 9,113

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	\$ 55,003
Interest	<u>7,190</u>
	<u>\$ 62,193</u>

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the estimated useful-life of the asset, or the lease term (where title never transfers), as appropriate.

Compensated Absences 25,720

These are paid from each enterprise fund.

TOTAL BUSINESS TYPE ACTIVITY \$3,983,751

GRAND TOTAL \$6,714,960

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

8. LONG-TERM DEBT (continued)

The annual requirements to amortize all debt outstanding as of December 31, 2009 excluding compensated absences is as follows:

Annual Requirements to Amortize Long-term Debt
December 31, 2009

Governmental Activities:

Year Ending December 31,	Revenue Bonds and Note		Financing (Capital Acquisition) Lease	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 227,550	\$ 87,300	\$ 57,833	\$ 7,969
2011	186,778	77,310	41,681	5,741
2012	196,652	67,436	43,685	3,737
2013	162,393	57,004	45,784	1,638
2014	125,977	48,729	-	-
2015-2019	<u>649,281</u>	<u>116,017</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,548,631</u>	<u>\$ 453,796</u>	<u>\$188,983</u>	<u>\$ 19,085</u>

Year Ending December 31,	Special Assessments		Totals	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 132,249	\$ 40,758	\$ 417,632	\$ 136,027
2011	136,152	35,306	364,611	118,357
2012	140,193	29,689	380,530	100,862
2013	144,377	23,897	352,554	82,539
2014	148,711	17,924	274,688	66,653
2015-2019	<u>277,248</u>	<u>28,832</u>	<u>926,529</u>	<u>144,849</u>
Total	<u>\$ 978,930</u>	<u>\$ 176,406</u>	<u>\$2,716,544</u>	<u>\$649,287</u>

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

8. LONG-TERM DEBT (continued)

BUSINESS TYPE ACTIVITIES:

Year Ending December 31,	Revenue Bonds		Financing (Capital Acquisition) Lease		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 320,782	\$ 171,574	\$ 9,113	\$ 160	\$ 24,463	\$ 2,762
2011	330,386	158,452	-	-	25,433	1,792
2012	346,026	144,312	-	-	26,444	781
2013	333,261	129,620	-	-	-	-
2014	348,054	115,037	-	-	-	-
2015-						
2019	1,960,805	338,998	-	-	-	-
2020-						
2024	134,084	20,147	-	-	-	-
2025-						
2029	<u>65,985</u>	<u>6,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$3,839,383</u>	<u>\$1,084,629</u>	<u>\$ 9,113</u>	<u>\$ 160</u>	<u>\$ 76,340</u>	<u>\$ 5,335</u>

Year Ending December 31,	Other		Totals	
	Principal	Interest	Principal	Interest
2010	\$ 5,519	\$ 623	\$ 359,877	\$ 175,119
2011	5,631	511	361,450	160,755
2012	5,744	398	378,214	145,491
2013	5,859	283	339,120	129,903
2014	5,978	164	354,032	115,201
2015-2019	4,464	44	1,965,269	339,042
2020-2024	-	-	134,084	20,147
2025-2029	<u>-</u>	<u>-</u>	<u>65,985</u>	<u>6,489</u>
Total	<u>\$ 33,195</u>	<u>\$ 2,023</u>	<u>\$3,958,031</u>	<u>\$1,092,147</u>

As of December 31, 2009, the City was acting as a fiscal agent for six special assessment issues having a total outstanding balance of \$875,551.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

8. LONG-TERM DEBT (continued)

The City is liable neither directly nor indirectly for the preceding special assessments.

9. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2009 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Enterprise Funds:		
Water Fund	\$ -	\$ 190,422
Electric Fund	<u>190,422</u>	<u>-</u>
	<u>\$ 190,422</u>	<u>\$ 190,422</u>

The above loans were made to compensate for a temporary cash overdraft position in the water Fund at year-end. The "loans" above are legal transfers between funds as defined by SDCL 9-21-26.1. Since it was the City's intent to repay them as soon as possible, these legal transfers are classified as "loans."

10. RETIREMENT PLAN

All employees, except for part-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements

**CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS**

10. RETIREMENT PLAN (continued)

and required supplementary information. That report may be obtained by writing to the SDRS, P. O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

General employees are required by the state statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2009, 2008 and 2007 were \$41,138, \$43,276 and \$41,729, respectively, equal to the required contributions each year.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During the year ended December 31, 2009, the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance from a commercial carrier.

Workmen's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

11. RISK MANAGEMENT (continued)

coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$250,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,750,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Liability:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for automobile and general liability insurance.

The agreement with the SDPAA provides that the above coverage's will be provided to a \$1,500,000 limit. Member premiums are used by the pool for payment of claims and to

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

11. RISK MANAGEMENT (continued)

pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of City's First Full Year	50%
End of City's Second Full Year	60%
End of City's Third Full Year	70%
End of City's Fourth Full Year	80%
End of City's Fifth Full Year	90%
End of City's Sixth Full Year and Thereafter	100%

As of December 31, 2009, the City has vested balance in the cumulative reserve fund of \$29,390.

The City carries a \$500 deductible for the automobile coverage and \$2,000 deductible for the liability coverage.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

12. RESTRICTED NET ASSETS

The following table shows the net assets for other purposes as shown on the Statement of Net Assets:

<u>RESTRICTION</u>	<u>RESTRICTED BY</u>	<u>Amount</u>
Cemetery	Trust agreements	\$ 36,772
Debt Service	Debt Covenants	493,437
Insurance	Policy agreement	<u>29,390</u>
		<u>\$ 559,599</u>

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

13. JOINT OPERATIONS AND VENTURES (continued)

The City participates in an undivided interest, known as Exposition Building, which is a joint operation between the City of Pierre, Fort Pierre, Stanley and Hughes Counties for the construction and operation of a multiple use exposition building located at the Stanley County Fairgrounds in Fort Pierre, South Dakota. The primary use of the facility during winter months will be for hockey and multiple uses during other times of the year. Construction started in 1998 and was completed in 1999. Interest in the facility is as follows:

City of Pierre	35%
City of Fort Pierre	15%
Hughes County	35%
Stanley County	15%

The City's interest in the facility as of December 31, 2009 is reported as a capital asset. Hughes County is acting in the capacity of fiscal agent during the construction of the facility and currently, while the City of Pierre acted in the capacity of fiscal agent for parking lot storm sewer improvements. Financial statements for the joint operation are available from the Hughes County Finance Officer.

At December 31, 2009 this joint operation had total fund equity of \$66,360.

14. STANLEY COUNTY LAW ENFORCEMENT

Stanley County Law Enforcement, a joint venture, is intended to be a separate legal entity pursuant SDCL 1-24-19 and SDCL 9-12-4 for services including the enforcement of state and federal laws, county and city ordinances and regulation. Membership to the Law Enforcement Board includes two Council members. The City has an equity interest of 58% of the net assets. Separate financial statements for this joint venture are available from the Stanley County Auditor.

As of December 31, 2009, this joint venture had a total equity of \$83,970.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

14. STANLEY COUNTY LAW ENFORCEMENT

Since the City of Fort Pierre maintains the accounting records and bank accounts of this entity it is included as an agency fund in these financial statements.

15. PLEDGED REVENUES

The City has pledged future water customers' revenues, net of specified operating expenses, to repay \$89,228 in water system revenue bonds issued in 2005 and 2007. Proceeds from the bonds provided financing for the construction of water system infrastructure.

The bonds are payable solely from water customer net revenues and are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 80% of net revenues. The total principal and interest remaining to be paid on the bonds is \$96,082. Principal and interest paid for the current year and total customer net revenue (losses) were \$46,246 and \$102,509, respectively.

The City has also pledged future electric customers' revenues, net of specified operating expenses, to repay \$3,077,516 in electric system revenue bonds issued in 2002 and 2007. Proceeds from the bonds provided financing for the construction of electric system improvements.

The bonds are payable solely from electric customer net revenues and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,962,132. Principal and interest paid for the current year and total customer net revenues were \$390,198 and \$519,846, respectively.

The City has also pledged future sanitary sewer customers' revenues, net of specified operating expenses, to repay \$672,639 in sanitary sewer system revenue bonds issued in 2002 and 2004. Proceeds from the bonds provided financing for the construction of sanitary sewer system improvements.

CITY OF FORT PIERRE
NOTES TO FINANCIAL STATEMENTS

15. PLEDGED REVENUES (continued)

The bonds are payable solely from sanitary sewer customer net revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 80% of net revenues. The total principal and interest remaining to be paid on the bonds is \$865,798. Principal and interest paid for the current year and total customer net revenues were \$90,941 and \$93,637, respectively.

CITY OF FORT PIERRE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual Amount (Budgetary Basis)
	Original	Final	
REVENUES			
Taxes:			
General property taxes	\$737,412	\$737,412	\$739,035
General sales and use taxes	1,090,600	1,090,600	895,365
Penalties and interest on delinquent taxes	1,500	1,500	3,466
Licenses and Permits	40,550	40,550	80,155
Intergovernmental Revenue			
Federal grants	82,500	155,500	72,855
State shared revenue	57,000	57,000	62,327
County shared revenues	4,450	4,450	4,444
Charges for Goods and Services			
General government	60,938	60,938	59,972
Highways and streets	36,637	36,637	29,150
Sanitation	0	0	300
Health	600	600	3,089
Culture and recreation	25,500	25,500	25,859
Economic Development	0	0	6,555
Fines and Forfeits			
Court fines	1,500	1,500	1,137
Other	500	500	636
Miscellaneous Revenue			
Investment earnings	65,000	65,000	34,607
Special assessments	2,500	2,500	31,200
Other	21,000	21,000	73,648
Total Revenue	\$2,228,187	\$2,301,187	\$2,123,800

The accompanying notes to required supplemental information
are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

\$1,623
(195,235)
1,966

39,605

(82,645)
5,327
(6)

(966)
(7,487)
300
2,489
359
6,555

(363)
136

(30,393)
28,700
52,648

(\$177,387)

CITY OF FORT PIERRE
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual Amount
	Original	Final	(Budgetary Basis)
EXPENDITURES:			
General Government			
Executive	\$46,675	\$46,675	\$46,494
Elections	1,050	1,050	618
Financial administration	166,925	201,425	200,098
Other	35,000	35,000	34,916
Public Safety			
Police	249,319	267,319	264,011
Fire	85,285	85,285	77,658
Other	21,325	21,325	7,458
Public Works			
Highways and streets	1,090,643	1,130,343	1,030,782
Sanitation	13,475	29,475	28,873
Transit	22,000	22,000	22,000
Health and Welfare			
Health	34,700	34,700	27,472
Culture and Recreation			
Recreation	82,425	87,425	85,166
Parks	212,075	212,075	206,990
Libraries	8,225	8,225	8,223
Auditorium	5,300	8,300	7,526
Museum	4,950	5,750	5,740
Conservation and Development			
Economic development	10,500	69,500	68,601
Debt Service	471,315	496,315	496,121
Total Expenditures	<u>\$2,561,187</u>	<u>\$2,762,187</u>	<u>\$2,618,747</u>

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

\$181
432
1,327
84

3,308
7,627
13,867

99,561
602
0

7,228

2,259
5,085
2
774
10

899

194

\$143,440

CITY OF FORT PIERRE
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>
Net Change in Fund Balances	<u>(\$333,000)</u>	<u>(\$461,000)</u>	<u>(\$494,947)</u>
FUND BALANCE-Beginning	<u>1,218,518</u>	<u>1,218,518</u>	<u>1,218,518</u>
FUND BALANCE-Ending	<u><u>\$885,518</u></u>	<u><u>\$757,518</u></u>	<u><u>\$723,571</u></u>

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

(\$33,947)

0

(\$33,947)

CITY OF FORT PIERRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting practices (GAAP).

CITY OF FORT PIERRE
SCHEDULE OF CURRENT AUDIT FINDINGS

FINDING NUMBER 2009-01:

A significant deficiency and material weakness is present due to a lack of segregation of duties in the revenue, expenditure and payroll functions.

CRITERIA:

To obtain adequate internal control, the duties of collecting and handling of cash must be segregated from the recording of cash transactions. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process. Various other accounting functions should be performed by different people to insure a proper segregation of duties.

POSSIBLE ASSERTED EFFECT:

Inaccurate financial statements and/or misappropriations of funds could result from a lack of segregation on duties.

RECOMMENDATION:

Management should remain aware of this situation and attempt to provide compensating controls wherever and whenever possible and practical.

CITY RESPONSE:

The City officials agree with this comment. The Mayor and City Commission are responsible for the corrective action plans for this comment. This comment is a result of the size of the City of Fort Pierre which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Fort Pierre management is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the revenues, expenditures and payroll function continues to exist.

CITY OF FORT PIERRE
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Audit Findings relative to Financial Statement Audit:

Finding NUMBER 2007-01 and 2008-01:

A material weakness was reported due to a lack of segregation of duties.

Status as of December 31, 2009:

The condition noted in prior audits is still applicable.

FINDING NUMBER 2008-02:

Budgets were overspent.

Status as of December 31, 2009:

No budgets were overspent during 2009.